



GEORGIA ENVIRONMENTAL FINANCE AUTHORITY LOAN PROGRAM POLICIES

1. PURPOSE

The purpose of the Georgia Environmental Finance Authority's (GEFA) water, land and solid waste loan programs is to provide affordable financing to local governments throughout Georgia to develop environmental infrastructure that protects public health, preserves our natural resources and promotes economic development. GEFA sustains this mission through effective, efficient and prudent management of these public resources.

2. APPLICABILITY

Loan program policies govern the use of funds managed within:

- Georgia Fund loan program
- Georgia Reservoir Fund loan program
- Clean Water State Revolving Fund (SRF) loan program
- Drinking Water State Revolving Fund (SRF) loan program

3. SUB-PROGRAMS

Georgia Fund

- Emergency Loan Program – The GEFA Executive Director shall have the authority to approve an emergency loan to assist communities in financing improvements that are necessary to eliminate actual or potential public health hazards. Any emergency loans approved will be ratified at the next scheduled Board meeting. To be eligible, the applicant must determine and document the emergency nature of the project and apply O.C.G.A. § 36-91-22(e), which outlines the local government actions needed to classify a project as an emergency. Relevant terms are addressed in these policies.

4. ELIGIBLE RECIPIENTS

Type of Entity

- GEFA can only make funding commitments to local governments and instrumentalities of the state, including any municipal corporation, county or local water or sewer or sanitary district, and any state or local authority, board, or political subdivision created by the General Assembly or pursuant to the Constitution and laws of the state, or nongovernmental entity with an approved land conservation project.

Minimum Recipient Qualifications

- *Qualified Local Government* – Municipalities and counties must be certified as Qualified Local Governments by the Georgia Department of Community Affairs (DCA).
- *Service Delivery Strategy* – Municipalities, counties and authorities must be included in a DCA-

verified Service Delivery Strategy. Additionally, the project for which an applicant seeks financing must be consistent with the verified strategy.

- *State Audit Requirements* – Municipalities, counties, authorities and nongovernmental entities must be in compliance with all state audit requirements.
- *Metro Plan Compliance* – Municipalities, counties and authorities located within the Metropolitan North Georgia Water Planning District (MNGWPD) can receive GEFA financing if the director of the Environmental Protection Division (EPD) has certified that the applicant/recipient is in compliance or is making a good faith effort to comply with all MNGWPD plans and/or enforcement measures.
- *Updated Building Codes* – Municipalities and counties must have adopted and enforce the provisions of O.C.G.A. § 8-2-3 relating to installation of high-efficiency plumbing fixtures.
- *Current Loan Agreements* – A current GEFA borrower can receive additional GEFA financing only if the borrower is in compliance with the existing credit documents (e.g., loan agreement and promissory note).
- *Nongovernmental Entities* – Nongovernmental entities must be a nonprofit organization with a primary purpose of permanently protecting or conserving land and natural resources, as evidenced by their organizational documents, consistent with O.C.G.A. § 12-6A-2(9.1).

5. ELIGIBLE PROJECTS

GEFA's loan programs can provide financing for a broad range of water, sewer, stormwater, non-point source pollution prevention, land conservation, and solid waste projects. Specific project eligibility varies by program. The types of projects eligible for financing from each program are listed under the respective program below. The minimum project requirements are listed below.

- **The Georgia Fund** may finance projects consistent with O.C.G.A. § 50-23-4 to:
 - supply, distribute, and treat water
 - collect, treat, or dispose of sewage or solid waste
- **The Georgia Reservoir Fund** may finance projects consistent with O.C.G.A. § 50-23-28 to:
 - expand the capacity of existing reservoirs or other sources for water supply
 - establish new reservoirs or other sources for water supply
- **The Clean Water SRF** may finance projects consistent with the federal Clean Water Act to:
 - construct municipal wastewater facilities
 - control nonpoint source pollution, including projects that permanently protect conservation land as defined by O.C.G.A. § 12-6A-2(5)
- **The Drinking Water SRF** may finance projects consistent with the federal Safe Drinking Water Act to:
 - install or upgrade facilities to improve drinking water quality or pressure, protect water sources, and provide storage
 - create or consolidate water systems

Minimum Project Eligibility Requirements Under the Federal State Revolving Fund Programs

In addition to meeting the other applicable eligibility requirements outlined in these policies, projects receiving funding through the Clean Water SRF or the Drinking Water SRF must comply with all applicable federal statutes, rules and regulations. These requirements include, but are not limited to:

- Each project must be included in an Intended Use Plan submitted by GEFA to the U.S.

- Environmental Protection Agency (EPA).
- Each project must successfully complete the State Environmental Review Process, administered by EPD and receive a Notice of No Significant Impact or Categorical Exclusion.
- Each recipient must certify compliance with Title VI of the Civil Rights Act by completing EPA Form 4700-4.
- Each Drinking Water SRF project and Clean Water SRF treatment works project must comply with applicable federal procurement and labor rules, including Disadvantaged Business Enterprise utilization, Equal Employment Opportunity, the Davis Bacon Act, and requirements that may arise in future federal law or future federal assistance agreements.
- Each Drinking Water SRF project and Clean Water SRF treatment works project must incorporate iron and steel products produced in the United States ("American Iron and Steel Requirement").
- Each Clean Water SRF treatment works project must certify that a Fiscal Sustainability Plan has been developed and is being implemented for the project or certify that a Fiscal Sustainability Plan will be developed and implemented for the project.

6. ELIGIBLE ACTIVITIES

Recipients of GEFA financing may use GEFA funds to pay for the following activities related to an eligible project:

- Feasibility analysis
- Project design
- Construction, grading, site preparation, dredging, etc.
- Land and easement acquisition needed for project implementation
- Stream or wetland mitigation
- Administrative and/or legal services
- System purchase

Engineering, Legal and Administrative Costs – GEFA funds may be utilized for engineering, design, administrative costs, facilities planning, and land acquisition provided that these costs are necessary for the completion of the project defined by the scope of work and identified in the budget of the approved loan agreement. Such eligible costs incurred prior to the execution of a loan agreement are eligible for reimbursement with a GEFA loan. GEFA also offers engineering only loans for these preliminary soft costs needed to facilitate the construction of an eligible project. GEFA will review and apply a standard to all project budgets.

Purchase of Existing Systems – An application that proposes to purchase an existing water and/or wastewater system must be accompanied by a certification of the value of the system by a registered professional engineer. GEFA will require other information as needed to document the content and costs of the purchase.

GEFA's loan agreement provides additional information about activities for which a borrower may or may not use GEFA funds.

7. PROGRAM MAXIMUMS

Loans available from GEFA are subject to the following maximums.

Georgia Fund

- The maximum loan amount is \$3,000,000 per borrower per year.
- The maximum loan amount for emergency loans is \$500,000 per project.

- The standard amortization period is 20 years or the useful life of the project.

Georgia Reservoir Fund

- The maximum loan amount will be determined based on availability of funds.
- The length of the amortization period shall be determined on a case-by-case basis consistent with O.C.G.A. § 50-23-28.
- The maximum amortization period is 40 years.

Clean Water SRF

- The maximum loan amount is \$25,000,000 per borrower per year.
- The maximum loan amount for engineering loans is \$2,000,000 per project.
- The maximum amortization period is the lesser of 30 years or the useful life of the project.

Drinking Water SRF

- The maximum loan amount is \$25,000,000 per borrower per year.
- The maximum loan amount for engineering loans is \$2,000,000 per project.
- The maximum amortization period is 20 years or the useful life of the project.

8. INTEREST RATES

GEFA indexes the interest rates it charges to the true interest cost (to the nearest hundredth of one percent) received by the state on its 20-year, competitively-bid, general obligation bond issue. This is GEFA's benchmark rate, though any of the standing interest rate adjustments described below may apply.

Federal Loans – For loans made through the Clean Water SRF or the Drinking Water SRF, GEFA will charge an interest rate that is 100 basis points (1 percent) below GEFA's benchmark rate.

Interest Rate Concessions – GEFA provides the following interest rate concessions for eligible borrowers or eligible projects under the specified funding programs. Interest rate concessions shall not be used in combination.

- **WaterFirst** – Communities that receive the WaterFirst designation from DCA may receive an interest rate 100 basis points (1 percent) below the prevailing interest rate for the program through which it is to be funded.
- **PlanFirst** – Communities designated as a PlanFirst Community by DCA may receive an interest rate 50 basis points (1/2 of one percent) below the prevailing interest rate for the program through which it is to be funded.
- **Conservation** – Communities seeking financing for eligible water, energy, or land conservation projects may receive an interest rate 100 basis points (1 percent) below the prevailing interest rate for the program through which it is to be funded as outlined in GEFA's Water Conservation Financing guidance.

Special Loan Terms – The GEFA board may approve loans with different interest rates or specialized terms (e.g., principal forgiveness) consistent with specific program objectives and/or relevant federal requirements.

9. FEES

GEFA may assess certain fees to loan recipients.

Origination Fee – GEFA will charge an origination fee of 1 percent pursuant to the loan agreement.

Loan Servicing Fees – Under specific circumstances, GEFA may charge the following loan servicing fees:

- GEFA may assess a non-sufficient funds fee (NSF) in the event the borrower fails to have sufficient funds in its designated bank account at the time the payment is drafted. The payment due may be for any type of payment due under the credit documents including origination fees, construction interest, monthly principal and interest payments or any other fee. GEFA will charge the NSF fee to the borrower for each loan for which payment is due and not available.
- GEFA may assess a late fee for any payment not received by the 15th of the month in which the payment is due. This will be in addition to any NSF fees assessed in the same month.
- GEFA may assess a monthly Loan Continuation Fee in the event the borrower fails to draw funds within six months (180 days) of loan agreement execution.

For specific details related to these fees, refer to the Loan Servicing Fee Schedule available on GEFA's website.

10. LOAN SECURITY

GEFA shall require a revenue and full-faith-and-credit pledge of each borrower and any other special loan condition it may deem necessary (e.g., debt service reserve, etc.). For borrowers, such as authorities, that lack taxation authority or lack adequate taxation authority to provide a full-faith-and-credit pledge commensurate with the value of the loan, GEFA will require those borrowers to sign an agreement with a local government that is willing and able to provide a full-faith-and-credit pledge to back the loan. In cases where the borrower is unable to secure such an agreement, GEFA may require additional security by other means.

13. RELEASE OF GEFA FUNDS DURING CONSTRUCTION

GEFA will monitor construction and endorse GEFA payments in accordance with the loan agreement. To allow monitoring, the loan or grant recipient must notify GEFA prior to commencing construction.

14. LOAN EXECUTION DEADLINE

If the loan agreement is not fully executed within six months (180 days) from the date of the board approval, GEFA reserves the right to terminate its commitment.

15. LOAN RESTRUCTURING

Loan restructuring is the act of changing the terms and/or conditions of an existing loan. The range of restructuring options may include adjusting the interest rate of a loan, changing the amortization period of a loan, or changing the repayment schedule to adjust allocation between interest and principal. GEFA will consider a borrower's request to restructure its existing GEFA loan(s) on a case-by-case basis if the borrower is experiencing financial hardship. In evaluating a restructuring request, GEFA will consider at least the

following indicators of financial hardship:

- The borrower's debt service coverage ratio history.
- The type and extent of efforts undertaken by the borrower to improve its financial condition, including enhancing revenues from rate increases or raising of ad valorem taxes and/or reducing costs.
- Any emergency or exigent circumstances beyond the control of the borrower that impose a long-term and severe financial hardship.

Under no circumstances will the existing principal of a loan be forgiven.

16. LOAN REFINANCING

Loan refinancing is the act of using loan funds to pay off an existing debt obligation, thereby satisfying all the terms of the existing debt agreement and cancelling the existing obligation. GEFA will consider a community's request to refinance its existing GEFA debt on a case-by-case basis if one of the following conditions is met:

- The community is requesting a loan from GEFA to finance an eligible, time-sensitive and critical project, but needs to consolidate existing GEFA debt into the new loan in order to afford the new project.
- The community has an engineering loan it would like to refinance with the proceeds of a construction loan from GEFA, thereby combining the engineering loan and the construction loan into one loan.

17. CREDIT ANALYSIS

GEFA requires a minimum debt service coverage of 1.05 times in the first year of repayment and each subsequent year of the outstanding GEFA debt.